

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION**

#### **SELECT COMMITTEE ON EDUCATION FUNDING**

**Call to Order:** By **CHAIRMAN MONICA LINDEEN**, on January 18, 2005  
at 3:07 P.M., in Room 137 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Monica Lindeen, Chairman (D)  
Rep. Bill E. Glaser, Vice Chairman (R)  
Rep. Norma Bixby (D)  
Rep. Tim Dowell (D)  
Rep. Dave Gallik (D)  
Rep. Verdell Jackson (R)  
Rep. Bob Lake (R)  
Rep. Holly Raser (D)  
Rep. Jon Sonju (R)  
Rep. Pat Wagman (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Connie Erickson, Legislative Branch  
Kim Leighton, Committee Secretary  
Eddy McClure, Legislative Branch  
Jim Standaert, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: 124, 1/13/2005  
Executive Action:

**HEARING ON HB 124****Sponsor:** REP. TOM FACEY, HD 95, MISSOULA**Opening Statement By Sponsor:**

REP. FACEY stated that this bill is being heard to provide statewide health insurance for school employees. He attested that this plan could save up to 46 million dollars. It would provide basic and comprehensive health care for employees. This program is referred to as the K-12 Statewide Health Insurance Program(SHIP). Under this program, school employees may voluntarily join the K-12 SHIP. Upon joining this, districts may receive a \$200 per month per eligible employee credit to be used against the premium to help join K12 SHIP. REP. FACEY also supplied two documents to support this bill.

[EXHIBIT\(esh13a01\)](#)[EXHIBIT\(esh13a02\)](#)

**{Tape: 1; Side: A; Approx. Time Counter: 0 - 17.1}**

**Proponents' Testimony:**

Linda McCulloch, State Superintendent of Public Instruction(OPI), supplied written testimony to support HB 124.

[EXHIBIT\(esh13a03\)](#)

Jack Copps, Executive Director, Montana Quality Education Coalition(MQEC), provided written testimony to support HB 124.

[EXHIBIT\(esh13a04\)](#)

Steve Meloy, Executive Secretary, Board of Public Education(BPE), provided written testimony in support of HB 124.

[EXHIBIT\(esh13a05\)](#)

Lance Melton, Executive Director, Montana School Board Association(MTSBA), provided written testimony in support of HB 124 which is designed to successfully offer key benefits to school employees.

[EXHIBIT\(esh13a06\)](#)

Dick Cameron, Superintendent of Glendive Public Schools, testified in support of HB 124, claiming that currently the school system in Glendive has Montana Unified School Trust(MUST) healthcare. However, he stated, "At this point in time, this is about the only way to go." He reiterated that recruiting teachers is an astronomical act.

**Darrell Rud, Executive Director, School Administrators of Montana (SAM)**, provided written testimony on behalf of SAM. He stated, "This is viewed as an urgent and immediate relief piece of the puzzle." He also reiterated that statewide health insurance is a key.

**EXHIBIT**(esh13a07)

**Tom Bilodeau, Research Director, MEA-MFT**, provided written testimony in regard to supporting HB 124. He believes K-12 SHIP to be a practical means of addressing school employee compensation issues.

**EXHIBIT**(esh13a08)

**Erin McGowan-Fincham, State Auditor's Office**, claimed that 19% of individuals in Montana are uninsured and this program could help with that. She touched on specifics of insurance sections in HB 124.

**Wade Johnson, Broadus Public Schools**, stated that the premium cost of K-12 SHIP would save their district more than 100,000 dollars in health insurance premiums.

**Marta York, Missoula County Public Schools**, commented that HB 124 creates standard eligibility, and will be able to cover many certified and classified educational employees that are currently uninsured.

**Joe Potter, Missoula County Public Schools Insurance Committee**, spoke about the 4,000 uninsured employees, and how HB 124 would really benefit them.

**Dave Severson, President of Missoula Education Association**, urged the committee to pass HB 124. Passing this bill would enable the school to use the money for other resources.

**Larry Nielsen, President of Helena Education Association**, commented on the benefits of HB 124. He stated that this would free up approximately two million dollars for the school system, as well as provide a secure health insurance program for the teachers and staff involved in a quality education.

**Tanya Ask, Blue Cross Blue Shield of Montana**, stated that there is a need for oversight if this bill does pass.

**Bob Robinson, Chief Executive Officer, Montana School Services Association for Montana Unified School Trust(MSSF-MUST)**, spoke on the advantages of a pooling system in regards to health insurance.

**{Tape: 2; Side: A; Approx. Time Counter: 0 - 2.5}**

**Opponents' Testimony:**

**Cori Cook, Corporate Counsel for Employee Benefit Management Services(EBMS)**, expressed the problems EBMS has with HB 124. For instance, there is no guarantee that the board representing K-12 SHIP would be comprised of insurance expertise. Also, they feel that once a person enters this program, they are unable to leave, even if they are dissatisfied.

**Susan Witte, Vice President & Chief Legal Counsel for Allegiance Benefit Plan Management Inc.**, provided written testimony in opposition to HB 124. They believe that this money could be saved and applied elsewhere.

**EXHIBIT(esh13a09)**

**Roger McGlenn, Executive Director, Independent Insurance Agents of Montana(IIAM)**, expressed concerns with HB 124. He had problems concerning premiums, enlistment, and private sectors.

**John Jones, Executive Director of Managed Care, Deaconess Billings**, stated that he believes there is work to be done on this bill. He believes HB 124 is a vehicle for providing health care to employees. However, this is not the correct way. He said that K-12 SHIP squashes competition.

**Mary Wittinghill, Montana Taxpayers Association**, conveyed that she wants to make sure this is done in the most cost efficient way. She is also not sure that it actually addresses Judge Sherlock's decision.

**Don Allen, Montana Association of Insurance and Financial Advisors(MTAIFA)**, advised against passing HB 124. He believes there are problems with private sectors, and would like to see the best service for the best price. He does not think this is the way to go.

**{Tape: 2; Side: B; Approx. Time Counter: 0 - 1.9}**

**Informational Testimony:**

**Lynda Brannon, Montana Association of School Business Officials**, provided written testimony.

**EXHIBIT(esh13a100)**

**Randy Morris, Administrator of the State Personnel Division, Department of Administration**, stated that they support this bill, and are available for any questions.

*{Tape: 2; Side: B; Approx. Time Counter: 1.9 - 3.2}*

**Questions From Committee Members and Responses:**

**REP. MONICA LINDEEN** asked **REP. FACEY** when the committee will have a fiscal note for this bill.

**REP. FACEY** stated that he thought he would have it today, and he would look into it.

**REP. BOB LAKE** asked Susan Witte if her firm tracks the annual medical inflation rate.

**Ms. Witte** stated that she believes they do.

**REP. LAKE** followed up by asking if she has the numbers available for the last five years.

**Ms. Witte** redirected the question to **Cliff Larson**, who stated that they are on Page 6 of the MEA-MFT document.

**REP. LAKE** asked **REP. FACEY** if the savings of insurance costs for teachers would be approximately 50 million dollars with this bill.

**REP. FACEY** replied by saying that is correct.

**REP. LAKE** stated that it appears that two different structures are being operated.

**REP. FACEY** agreed on this. He expanded by saying that the general fund spending has been approximately 1.7% per year. He also stated that the inflation has been approximately 2.5%.

**REP. LAKE** asked **REP. FACEY** if this bill is intended to create a program for insurance coverage if it still falls under the guidelines if the committee is building into an already existing fund.

**REP. FACEY** stated that it does in fact follow the premise of the bill.

**REP. DAVE GALLIK** asked John Jones if he feared pooling systems in the past and how it was that he now approved them?

**Mr. Jones** replied by saying that things have changed; and they now adhere to the problems of the past.

**REP. GALLIK** postulated that if Mr. Jones opposed the setting in the past, why did he think it would change in regards to a large insurance company.

**Mr. Jones** asked REP. GALLIK to please reword the question.

**REP. GALLIK** questioned how this plan would affect healthcare providers in Montana.

**Mr. Jones** replied that they would continue to provide healthcare. However, they do not believe there is a 50 million dollar savings available. He then went on to ask a few questions regarding the fiscal note.

**Eddye McClure** stated that they do not write the fiscal notes, but that the budget office is most likely free to make assumptions.

**REP. LINDEEN** asked if there were any further questions.

**REP. HOLLY RASER** followed up on a question for REP. GALLIK. She asked Randy Morris about the concern surrounding the bill being flawed, and people wanting to bail out.

**Mr. Morris** stated that he does have some concern about this. However, there are ways to manage this, and he believes that the appropriate measures are in place.

**REP. RASER** asked about bigger state plans versus small plans.

**Mr. Morris** believed that it happens in all scenarios. If the proper measures are in place, it can be addressed.

**REP. RASER** stated that she is a teacher. Her question was how to compare cost increases with the differences in the size of pools.

**Mr. Morris** claimed that the smaller the pool, the smaller the swing would most likely be.

**REP. VERDELL JACKSON** asked Cori Cook what kind of board should be in place for such a large plan.

**Ms. Cook** recommended that the board be more diverse, with guaranteed expertise in insurance and legal.

**REP. JACKSON** desired some clarity on cost containment.

**Ms. Cook** didn't notice specifically where these sorts of measures are taken in the bill. She believes that they generically refer to it.

**REP. JACKSON** asked Ms. Cook to clarify the question of management. He understood it to be 7% of the premiums that came in, and asked if that is true.

**Ms. Cook** replied by explaining different quotes from around the state in regards to administrative costs.

**REP. GALLIK** asked Mary Wittinghill, "Assuming taxpayers can save 39 million dollars, and there will also be approximately five million dollars saved in administrative costs, do you think it is in our best interest to endorse this bill?"

**Ms. Wittinghill** doesn't believe that would work out with the way the bill is written right now.

**REP. GALLIK** commissioned Ms. Wittinghill to show him specific places in the bill where she can see that it won't work.

**Ms. Wittinghill** pointed out how Section 3 speaks of the \$200 incentive. However, it doesn't specify that this incentive will lower taxes.

**REP. GALLIK** asked if she would agree with him that medical care will likely increase and in saying that, wouldn't local school districts be responsible for this increase?

**Ms. Wittinghill** said she realizes that insurance coverage is a problem right now. However, she would like to see this money freed up to apply to other forms of coverage.

**REP. PAT WAGMAN** petitioned to Marta York as to what the status of the compensation is.

**Ms. York** redirected the question to Tom Biladeau.

**Mr. Biladeau** responded by stating some numbers to REP. WAGMAN in terms of classified wages.

**REP. WAGMAN** then asked what contribution the employees make to the benefit program.

**Ms. York** answered that employees in the Missoula area pay \$30/month. If they have a dependent, they pay \$50/month; and if their spouse is covered and unemployed, they pay \$100/month.

**REP. WAGMAN** then requested the same information from a representative of a small eastern school.

**Wayne Kolliba, Superintendent of Westby Schools**, stated that it depends on the insurance plan. He said that their district pays about \$300/month for health insurance for their teachers. Also, some teachers on a specific plan might pay approximately \$300/month.

**REP. WAGMAN** asked what the salary range for their teachers is.

**Mr. Kolliba** alleged that it runs between \$22,000 to \$42,000.

**REP. WAGMAN** asked Mr. Biladeau about Page 5, Line 26. He was curious about an employee who works 1,080 hours, and what kind of benefits a part-time employee would receive.

**Mr. Biladeau** said that 1,080 hours calculates to approximately 30 hours in a work week. Therefore, it would take approximately 36 weeks to reach this. He also explained some of the work conditions and benefits received.

**REP. WAGMAN** then asked how many hours this would require for a full-time employee.

**Mr. Biladeau** stated that he believed it was 1,410 hours.

**REP. RASER** asked Dick Cameron about some comments made by Ms. Wittinghill. She asked him if he considers teachers to be educational relevant factors.

**Mr. Cameron** remarked that teachers are probably the most educationally relevant factors besides children. A majority of the budget goes to teachers' salaries.

**REP. RASER** asked Mr. Cameron, "If they did have the additional funding, should the committee study where to put the money, or should the school decide individually."

**Mr. Cameron** stated that there is simply not enough money for the children. He urged the committee to put their differences aside, and figure something out.

**REP. JON SONJU** asked Roger McGlenn to explain what a private sector would do that this bill will not.

**Mr. McGlenn** is concerned that this plan is irrevocable, and is not giving the private sector any room to do anything.



**REP. RASER** talked about the fact that there is a lot at stake, she also asked about the private sector and whether there is room for them to bid on this, or if it is a closed plan.

**Mr. McGlenn** stated that he was not a participant in the interim study. However, it appears that bidding would be administrative on this.

**REP. RASER** commented on the fact that all of the committee meetings are public, and asked Mr. McGlenn if he attended these.

**Mr. McGlenn** said he was active on other committees at the time.

**REP. RASER** asked what the private sector has come up with as an alternative to this.

**Mr. McGlenn** claimed that the agents have been involved in researching possibilities. He then referred the question to Don Allen.

**Mr. Allen** stated that the private sector was unable to take any action until the bill was written. At this point, they are not exactly sure what to do.

**REP. RASER** remarked that she is a little confused, since this is the third session that this issue is being heard.

**Mr. Allen** claimed that insurance agents have been working on alternative plans.

**REP. RASER** approached the audience and asked if anyone could share any of these innovations.

**Rick Larson, President of EBMS in Billings**, offered a couple of examples to the committee. He mentioned the topic of pooling.

At this point, **Mr. Jones** approached the committee about two issues being confused. He questioned as to where the \$200 incentive would come from, as well as asking if the private sector is doing all it can.

**REP. LINDEEN** asked Mr. Jones if he had an alternate piece of legislature to bring forward.

**Mr. Jones** stated that he does not have anything to bring forward at this point.

**REP. LINDEEN** directed a question to Erin McGowan-Fincham regarding a comment by Roger McGlenn stating that Title 33-30 was not included in the bill.

**Ms. McGowan-Fincham** went over some of the insurance provisions contained in the bill.

**REP. LINDEEN** asked Ms. McGowan-Fincham about other options that the State Auditor's Office had come up with.

**Ms. McGowan-Fincham** informed REP. LINDEEN that she would look into it, and would probably have an answer by the end of the week.

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**Closing by Sponsor:**

The sponsor closed by stating specifics of the bill, and reiterating that this is a very important issue with a great deal of benefit. He also stated that the committee needs to listen to Mr. Cameron's comment.

**REP. LINDEEN** commented that the committee would probably not do executive action on this bill until next Friday. She thanked everyone for their time and effort.

**ADJOURNMENT**

Adjournment: 5:45 P.M.

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REP. MONICA LINDEEN, Chairman

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KIM LEIGHTON, Secretary

ML/KL

Additional Exhibits:

**EXHIBIT ([esh13aad0.PDF](#))**